

**OFFICE OF THE
WASHINGTON STATE LIQUOR CONTROL BOARD
Board Meeting /May 18, 2005**

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, May 18, 2005 in the Board conference room, 3000 Pacific Avenue SE, Olympia, Washington, by Chairman Merritt Long. Board Member Vera Ing Board Member Roger Hoen were present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

Administrative Services – Years of Service Award Recognition

Pat Kohler, Administrative Director

Ms. Kohler recognized Lynda Patterson, Administrative Assistant for her 15 years of dedicated service to the Washington Liquor Control Board.

Retail Services Division – Liquor Store Lease Proposal, #135 Sequim

Suzanne Lewis, Store Leasing Manager

The lease for Store No. 135, located in Bell Creek Plaza at 990 East Washington Street, Suite C, Sequim, will expire on January 31, 2007. The lease has a 6-month termination clause.

BACKGROUND

Store #135 was relocated in 1997 from the inside corner of an old shopping center to the newer QFC-anchored Bell Creek Plaza at the east end of Sequim. At the time Highway 101 passed through Sequim. Since the Sequim bypass was finally built, traffic at the east end of town is greatly reduced and customers must make a special trip to the liquor store.

With the growth in the area and the new highway exits, most major commercial development is occurring at the west end of town. The new WalMart is hitting their sales projections and plan to add groceries in the near future. A new Home Depot opened recently and is exceeding their sales projections.

The River Bend Retail Center, which will be built in front of WalMart, offers a convenient location to the many customers who are shopping in the area. Office Depot is planned to be the major anchor in this new center. In addition to retail space, a large senior housing project is planned on the property behind the center.

PROPOSAL – RIVER BEND RETAIL CENTER

The Lessor, Sequim Retail Investments LLC, represented by Tony Omlin of Rainier Commercial Real Estate, has proposed a ten (10) year lease in a new

5,500 square foot space. The new rental rate will be \$11,000.00 per month, or \$24.00 per square foot per year, during Years 1-3, \$11,916.67 per month, or \$26.00 per square foot per year, during Years 4-6, and \$12,833.33 per month, or \$28.00 per square foot per year, during Years 7-10. Anticipated turnover date is late September 2005.

The Lease may not be terminated during the initial five (5) years of the lease term, except pursuant to Paragraph 2, if applicable, or if Lessor(s) is in default under this agreement and fails to cure such default within 30 days after receipt of written notice of the default. During Years 6 through 10, the Lease may be terminated by either party with a six (6) month written notice from the first of the month following.

At the Board's option, the lease may be renewed for an additional 5 year term with rent to be negotiated at the time the option is exercised.

The Lessor has agreed to construct the space per the Board's "General Specifications...", including fire sprinklers and exterior signage (2 pylon signs). He has also agreed to the provisions of Appendix A, "Areas of Responsibility", with no exceptions.

SALES HISTORY

Recent sales history for Store No. 135 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2004	\$2,523,220	\$476,653	\$2,999,873
FY2003	\$2,277,594	\$407,328	\$2,684,922
FY2002	\$2,151,304	\$385,337	\$2,536,641

Sales/sq ft: FY04 = \$667 (average for all state liquor stores was \$654 for FY04)
 NOTE: Retail sales increased 10.8% in 2004 and are anticipated to increase further with the regional draw of the new WalMart shopping center and other national tenants that are new to this market.

Profitability: FY04 = 13.9% while the average profit for all state stores was 11.3%.
 NOTE: Relocation = 11.4% without any sales increase.

ADDITIONAL DATA:

Current lease rates in River Bend Center are in the high \$20's per square foot + \$4.00/sq ft triple net charges + any tenant improvements.

Comparable lease rates for new liquor stores:

#013 Longview – 6,364 sq ft @ \$12,197.67/mo, or \$23.00/sq ft/yr, in Yrs 1-5
 \$13,258.33/mo, or \$25/sq ft/yr, in Yrs 6-10

#186 Spokane-Shadle – 5,198 sq ft @ \$10,920.13/mo, or \$25.21/sq ft/yr, in Yrs 1-5
 \$12,557.50/mo, or \$28.99/sq ft/yr, in Yrs 6-10

NOTE: Both stores are in busy grocery-anchored shopping centers. Store #186 also has a WalMart anchor.

Traffic count: Projected at 24,000 cars per day on the roundabout in front of WalMart and 21,000 cars per day at SR 101 and River Road.

SUMMARY

Summary of the lease proposals for Store #135:

<u>Current Rent</u>	<u>Proposed Rent-#1</u>	<u>Change</u>
4,500 sq ft	5,500 sq ft	
\$4,781.30	\$11,000.00 Yrs 1-3	+130% (\$/month)OR
\$12.75/sq ft/yr	\$24.00/sq ft/yr	+ 88% (\$/sq ft/mo)
	\$11,916.67 Yrs 4-6	+8.3%
	\$26.00/sq ft/yr	
	\$12,833.33 Yrs 7-10	+7.7%
	\$28/sq ft/yr	

Ms. Lewis recommended approval of Lease Proposal for River Bend Retail Center.

Board Member Ing moved for approval. Board Member Hoen seconded the motion, and it was passed unanimously.

Board – Approval of Minutes

Board Member Ing reviewed the minutes of February 8, February 15, February 23, March 4, March 29, April 5, April 6, April 12, April 19, April 20, and April 26 for approval. Board Member Hoen seconded the motion, and it was carried unanimously.

The Meeting was adjourned at 10:20 a.m.

Merritt D. Long
Chairman

Vera Ing
Board Member

Roger Hoen
Board Member